Import of Ammunition from Hongkong

2142. SHRI AMAR SINGH: Will the Minister of DEFENCE be pleased to state:

(a) whether it is a fact that ammunition worth Rs. 11.84 crore imported against doubtful certificate of inspection from Pitcare Ltd. Hongkong in January, 1993, was subsequently rejected as it failed in a test check in Central Ammunition Depot, Pulgaon;

(b) whether C.A.G. has severely commented on this deal;

(c) if so, what are the details of the deal and the comments of C.A.G. thereon;

(d) whether Government have taken any action against the official involved in this deal;

(e) if so, the details thereof; and

(f) if not, the reasons therefor?

THE MINISTER OF DEFENCE (SHRI GEORGE FERNANDES): (a) to (f) A contract dated 21.1.1993 was singed with M/s Pitcare Ltd. Hongkong for supply of 10000 rounds of 130mm and 6700 rounds of 122mm illuminating ammunition for an amount of USD 6.12 million. The Central Ammunition Depot (CAD), Pulgaon intimated in September 1993 the receipt of consignment of 10000 nos of 130mm Illuminating ammunition from Hongkong against the contract. Since the consignment was received without technical literature and range tables, the check proof was delayed. The check proof was conducted in August 1995 on receipt of fuze setting key and range tables from the firm. Ten rounds were fired and three recorded defects. The consignment was subjected to reproof by firing 13 rounds in December, 1995 out of which 12 recorded failures.

In view of the Unsatisfactory performance of the ammunition during check proof, the consignment was recommended as "Not fit for Use" hand quality claim raised.

Comments of the CAG extracted from the Report No.7 of 1999 (Defence Services) are given in Statement (*See* below)

The case is being referred to CBI for investigation. Further action will be taken on receipt of CBI's report.

Statement

Report No. 7 of 1999 (Defence Services)

CHAPTER II : MINISTRY OF DEFENCE

12: Presumptive fraud in import of ammunition

A foreign firm drew payment of Rs. 11.84 crore against a doubtful certificate of inspection of ammunition which was subsequently rejected as it failed in proof.

Test check of records in Central Ammunition Depot, Pulgaon and in the Ministry disclosed a case of import of ammunition through a trading firm, which was declared unfit for use. The circumstances relating to the inspection of the ammunition and release of payment are suggestive of collusion.

Ministry concluded a contract with Pitcare Ltd. Hongkong in January 1993 for supply of 10000 rounds of 130mm and 6700 rounds of 122mm illuminating ammunition at a total cost of US $6.12 million*, equivalent to Rs. 16.54 crore.

Ammunition was to be inspected within 60 days of receipt at site by the purchaser.

As per the amended terms of contract, the ammunition was to be finally inspected by a team appointed by the purchaser and acceptance certificate was to be issued within 60 days of receipt of goods at site. However, there was no evidence to establish that bank was informed of the amendment in the condition for inspection.

The contract stipulated that the cost of ammunition was to be paid through a letter of credit against presentation of sales invoice, bill of lading, packing list and most importantly, inspection and acceptance certificate.

Inspection certificate was issued even before the despatch of ammunition

Scrutiny disclosed that the consignment was despatched on 30 May 1993. While as per this amendment to the contract the inspection was to be carried out by the purchaser within 60 days of receipt of ammunition at site, strangely a certificate dated 30 May 1993 was issued conveying the inspection and

*1 US$ = Rs. 27.0270

Inspection certificate did not carry name and designation of inspector

acceptance of the ammunition even before the ammunition had left the originating station. The inspection certificate did not carry the name and designation of the Chairman and member of so stated inspection team, nor the authority under which they had inspected the consignment.

Proof test was carried out of the two years of receipt of the entire quantity

The consignment was received in Central Ammunition Depot in August 1993. The proof test was to be carried out within 60 days of receipt of the ammunition at site. However, Controller of Quality Assurance carried out the proof test in September and December 1995, i.e., more than two years after receipt of the ammunition. The delay in proof test was attributed to non-receipt of technical documents, which were supplied by the firm in October 1994. The delay of one more year even after receipt of technical documents remains unexplained. The entire consignment of 10000 rounds of 130mm illuminating ammunition for which US $ 3.76 million equivalend to Rs. 11.84 crore was claimed by the firm through letter of credit with the help of the inspection certificate of suspected genuineness, was rejected after proof test.

Ammunition valuing Rs. 11.84 crore was rejected in proof test.

By the time quality claim was lodged, the firm had wound up

Minister has not taken effective action to fix responsibility

When the Ministry made efforts through the Indian High Commission, Singapore to locate the firm, one Mr. Peter Lim who had signed the contract as Managing Director of Pitcare disowned any responsibility stating that Pitcare Hongkong had been wound up and the Singapore office had acted only as a forwarding agent. Despite evidence of suspicious dealings in the matter. Ministry has not conducted any inquiry to fix the accountability in the matter as of December 1998.

It is recommended that the matter should be investigated through an independent agency to fix responsibility for not ensuring that the amended inspection clause of contract was got noted by the bank and for issue of suspected inspection certificate, delay in carrying out proof test, besides failure of the Ministry to investigate the matter.

The matter was referred to the Ministry in June 1998; their reply was awaited as of January 1999.